

**State of New Mexico
City of Lordsburg**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2013
and Independent Auditors' Report**

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

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**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**OFFICIAL ROSTER
JUNE 30, 2013**

**CITY OF LORDSBURG
ELECTED OFFICIALS FY2013**

Frank M. Rodriguez	Mayor
Eddie Esquivel	Mayor Pro Tem
Irene Galvan	Councilor
Alex De La Garza	Councilor
Elias H Ruiz	Councilor
Ernesto Gallegos	Councilor
Manuel Saucedo	Councilor

**CITY OF LORDSBURG
DEPARTMENT HEADS FY2013**

Belinda Chavez	City Clerk
Ted Castillo	Finance Officer
Greg Martinez	Chief of Police
David Arredondo	Municipal Judge

**LORDSBURG PUBLIC HOUSING AUTHORITY
BOARD OF COMMISSIONERS FY2013**

Frank M. Rodriguez	Chairman of the Board
Eddie Esquivel	Vice Chairman
Alex V. De La Garza	Commissioner
Elias H. Ruiz Jr.	Commissioner
Ernesto Gallegos	Commissioner
Manuel D. V. Saucedo	Commissioner
Irene Galvan	Commissioner

**LORDSBURG PUBLIC HOUSING AUTHORITY
OFFICIALS FY2013**

Sandra Kolean	Executive Director
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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Mayor and City Council of the
City of Lordsburg, New Mexico

Report on Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Lordsburg (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City of Lordsburg's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the City of Lordsburg's nonmajor governmental, and the budgetary comparisons for the major capital project funds, business-type funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The City had a revenue account in the Wastewater Reuse Project Fund with a balance of \$110,810.89, which they could not provide supporting documentation for. When City staff was asked to provide an account subledger, the subledger had a balance of \$367,341.27. Supporting documentation for this balance was also not available. As a result, we were unable to determine satisfy ourselves due to the lack of detail, and lack of all subsidiary ledgers by means of other auditing procedures. We were also unable to obtain written representations from management of

management, as required by generally accepted auditing standards.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information labeled as "Other Supplementary Information" on the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



El Paso, Texas
May 9, 2014

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

This section of City of Lordsburg's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City of Lordsburg exceeded its liabilities at the close of the most recent fiscal year end by \$29,826,579 (net position). Of this amount, \$6,041,577 (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position increased by \$446,955 during the fiscal year. During 2013 the City received more revenue than in 2012 and was able to spend less than received during the year.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$3,242,703. Of this total, \$1,078,737 is reserved for special revenue and capital projects.
- At the close of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$1,937,634.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lordsburg's finances, in a manner similar to a private-sector business.

The *statements of net position* presents information on all of the City of Lordsburg's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lordsburg is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lordsburg that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lordsburg include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the City include utility services.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lordsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lordsburg can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nineteen individual governmental funds organized according to their type (special revenue, capital projects and debt service). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Lodgers Tax Fund, and Water Line Repair Fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lordsburg adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Lodgers Tax Fund, and Water Line Repair Fund, to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains one proprietary fund and one component unit, the Lordsburg Public Housing Authority. The proprietary fund is used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 49 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$29,826,579 at the close of the current fiscal year.

The largest portion of the City of Lordsburg's net position represent the City's net investment in capital assets of \$22,479,933 (e.g., land, construction in progress, improvements, buildings, infrastructure, and machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$6,041,577 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Position

During the current fiscal year, the City's net position in governmental and business-type activities increased by \$446,955. These increases are explained in the governmental activities discussion.

Governmental Activities

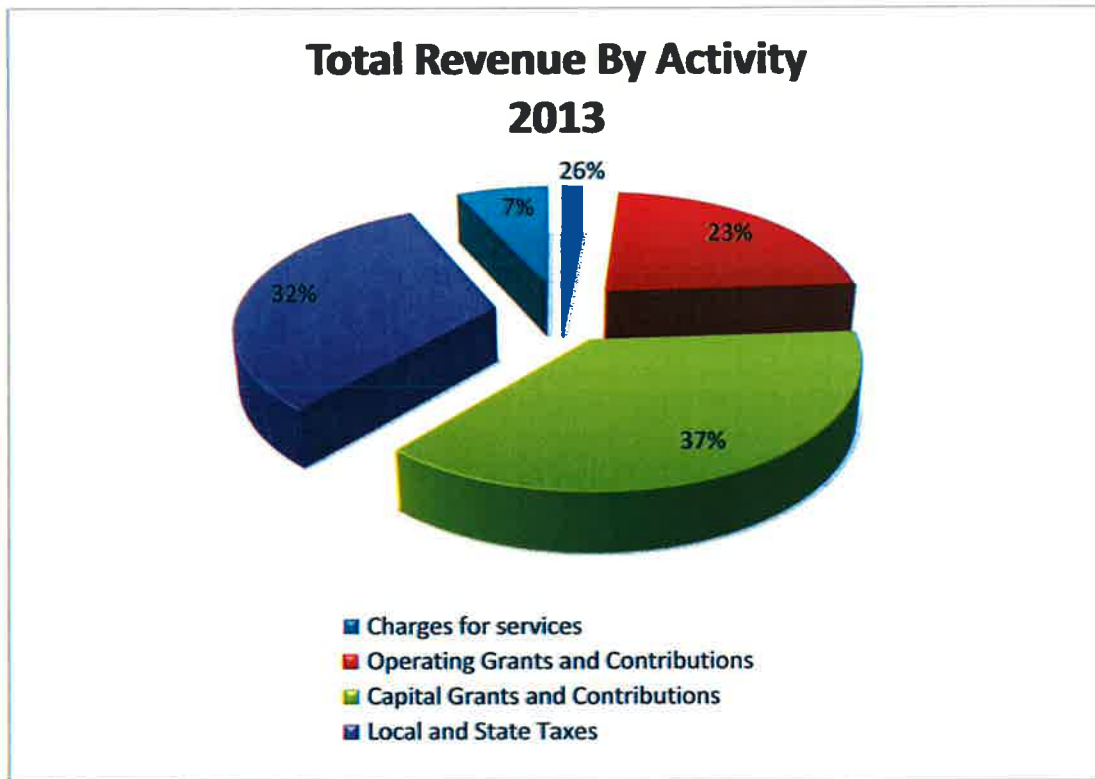
Governmental activities decreased the City's net position by \$1,890,481, of which \$2,351,727 were capital assets transferred from government activities to business activities. Grant revenue decreased \$2,626,615 over grant revenue in the prior year. Property taxes, gross receipts taxes and other taxes contributed \$2,140,619 for covering the \$4,198,503 program expense associated with governmental activities during FY2013.

Governmental revenues, consisting mostly of taxes, are not directly associated with any government function. The total revenues decreased \$2,300,404 due to a decrease in economic activity.

Business-Type Activities

Business-type activities increased the City's net position by \$2,337,436 after transfers of \$176,902 out to various funds, compared to the prior year's increase of \$264,929 after transfers of \$78,073 in from the general fund. The business-type fund also had a transfer in of capital assets totaling \$2,351,727.

Total revenues from governmental and business-type activities are summarized below. For fiscal year 2013-2012, Local and State taxes made up 24% of the total general government revenues compared to 24% of the revenues in the prior year.



**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SUMMARY OF NET ASSETS**

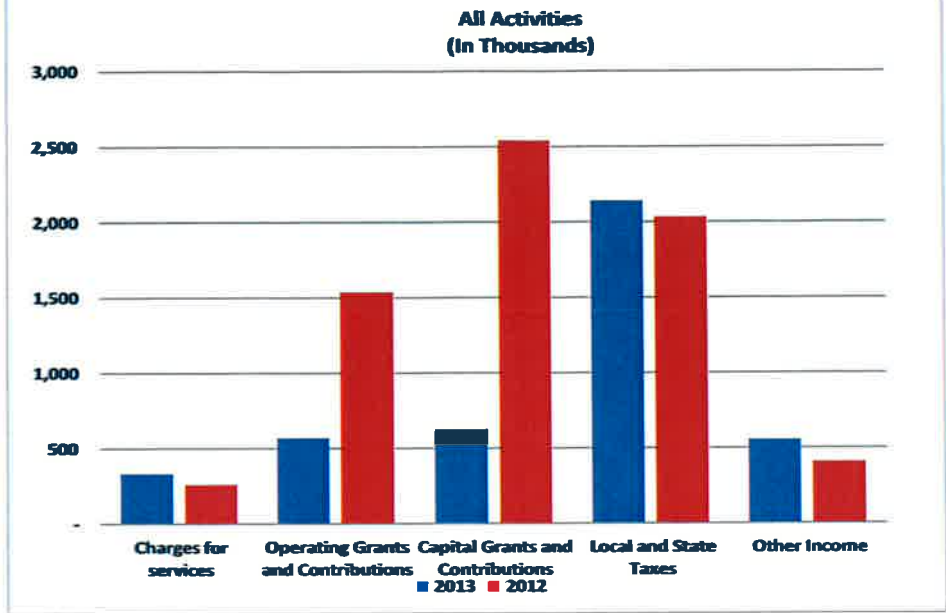
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 13-12	Component Unit	
	2013	2012	2013	2012	2013	2012		2013	2012
ASSETS									
Current and other assets	\$ 3,337,321	\$ 2,919,633	\$ 3,982,930	\$ 3,816,050	\$ 7,320,251	\$ 6,735,683	0.09 %	\$ 553,274	\$ 481,871
Non current assets	-	-	310,899	193,453	310,899	193,453	0.61 %	16,750	20,136
Capital assets, net of accumulated depreciation	11,373,390	13,649,945	12,061,703	10,008,395	23,435,093	23,658,340	(0.01)%	2,119,540	2,206,049
Total assets	\$14,710,711	\$16,569,578	\$16,355,532	\$14,017,898	\$31,066,243	\$30,587,476	0.02 %	\$ 2,689,564	\$ 2,708,056
LIABILITIES									
Current and other liabilities	\$ 177,454	\$ 253,406	\$ 128,427	\$ 83,693	\$ 305,881	\$ 337,099	(0.09)%	\$ 123,744	\$ 96,444
Long-term liabilities	712,129	604,563	221,654	266,190	933,783	870,753	0.07 %	14,350	14,050
Total liabilities	889,583	857,969	350,081	349,883	1,239,664	1,207,852	0.03 %	138,094	110,494
NET POSITION									
Net investment in capital assets	10,578,425	12,986,995	11,901,508	9,805,395	22,479,933	22,792,390	(0.01)%	2,119,540	2,206,049
Restricted	1,305,069	963,234	-	-	1,305,069	963,234	0.35 %	37,659	37,195
Unrestricted	1,937,634	1,761,380	4,103,943	3,862,620	6,041,577	5,624,000	0.07 %	394,271	354,318
Total net position	13,821,128	15,711,609	16,005,451	13,668,015	29,826,579	29,379,624	0.02 %	2,551,470	2,597,562
Total liabilities and net position	\$14,710,711	\$16,569,578	\$16,355,532	\$14,017,898	\$31,066,243	\$30,587,476	0.02 %	\$ 2,689,564	\$ 2,708,056

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

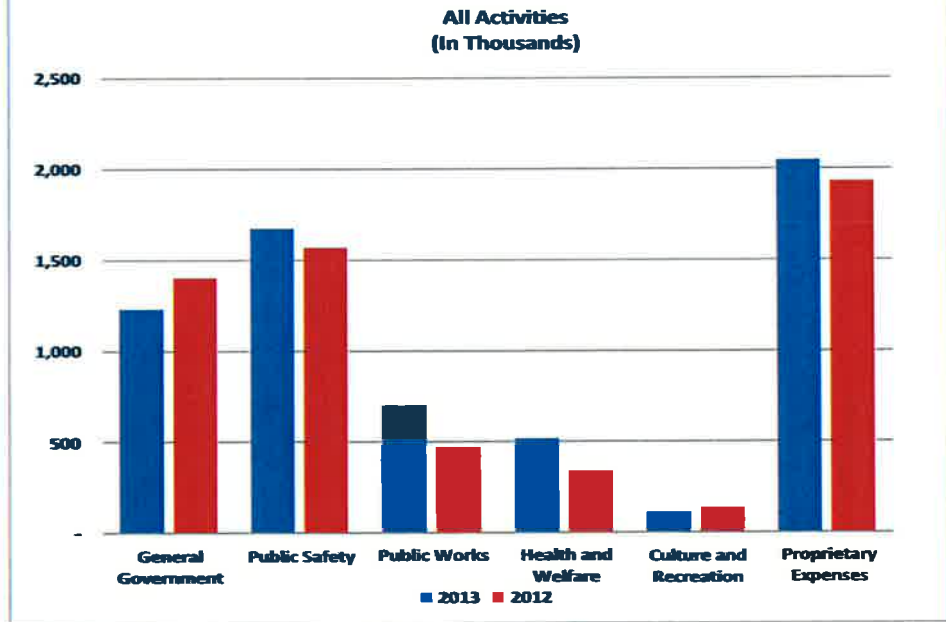
**MANAGEMENT'S DISCUSSION AND ANALYSIS
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change	Component Unit	
	2013	2012	2013	2012	2013	2012		2013	2012
REVENUES									
Program revenue:									
Charges for services	\$ 331,902	\$ 261,335	\$ 2,007,664	\$ 2,063,010	\$ 2,339,566	\$ 2,324,345	0.01 %	\$ 239,307	\$ 260,836
Operating grant and contributions	570,594	1,537,766	7,800	7,800	578,394	1,545,566	(0.63)%	216,170	227,250
Capital grants and contributions	883,092	2,542,535	-	-	883,092	2,542,535	(0.65)%	19,571	160,705
General revenues:									
Taxes	2,140,619	2,034,168	132,875	150,231	2,273,494	2,184,399	0.04 %	-	-
Other income	556,640	407,447	51,756	52,871	608,396	460,318	0.32 %	5,068	17,394
Total revenues	4,482,847	6,783,251	2,200,095	2,273,912	6,682,942	9,057,163	(0.26)%	480,116	666,185
EXPENSES									
General government	1,130,714	1,404,038	-	-	1,130,714	1,404,038	(0.19)	526,208	600,467
Public safety	1,690,773	1,569,552	-	-	1,690,773	1,569,552	0.08 %	-	-
Public works	737,172	465,578	-	-	737,172	465,578	0.58 %	-	-
Health and welfare	522,874	335,655	-	-	522,874	335,655	0.56 %	-	-
Cultural and recreation	116,970	135,162	-	-	116,970	135,162	(0.13)%	-	-
Proprietary expenses	-	-	2,037,484	1,930,910	2,037,484	1,930,910	0.06 %	-	-
Total expenses	4,198,503	3,909,985	2,037,484	1,930,910	6,235,987	5,840,895	0.07 %	526,208	600,467
Changes in net position before transfers	284,344	2,873,266	162,611	343,002	446,955	3,216,268	(0.86)%	(46,092)	65,718
Transfers	176,902	78,073	(176,902)	(78,073)	-	-	- %	-	-
Transfer of property	(2,351,727)	-	2,351,727	-	-	-	- %	-	-
Changes in net position	(1,890,481)	2,951,339	2,337,436	264,929	446,955	3,216,268	(0.86)%	(46,092)	65,718
Net position - beginning	15,711,609	12,760,270	13,668,015	13,403,086	29,379,624	26,163,356	0.12 %	2,597,562	2,531,844
Net position - ending	\$13,821,128	\$15,711,609	\$16,005,451	\$13,668,015	\$29,826,579	\$29,379,624	0.02 %	\$ 2,551,470	\$ 2,597,562

Comparison of Revenue - By Function



Comparison of Expenses - By Function



Financial Analysis of the City of Lordsburg as a Whole

As noted earlier, the City of Lordsburg uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City of Lordsburg's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the City of Lordsburg's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds and Debt Service Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,242,703, a increase of \$518,089 in comparison with the prior year. The increase is primarily due to the increase in grant and tax revenue. Approximately 60% of this total amount, \$1,937,634 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay special revenue and capital projects, \$1,078,737.

Revenues for governmental functions overall totaled approximately \$4,482,847 in the fiscal year-ended June 30, 2013, which represents a decrease of \$1,583,677 from the fiscal year-ended June 30, 2012. Expenditures for governmental functions totaled \$4,344,660. This was a decrease of approximately \$218,163 from the fiscal year-ended June 30, 2012. In the fiscal year-ended June 30, 2013, expenditures for governmental functions fell short of revenues by approximately \$138,187.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,937,634.

The fund balance of the City's General Fund increased \$176,254 during the current fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net position for the Joint Utilities were \$4,103,943. The total increase in net position for the proprietary fund was \$2,337,436.

Budgetary Highlights

City budgets reflect the same pattern as seen in the revenue and expenditures of the City. The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the City level, the City of Lordsburg utilizes goals and objectives defined by the City Council Members, community input meetings, long-term plans and input from various staff groups to develop the City budget. The City priorities are well defined through out this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the City of Lordsburg. The City has not modified the budget throughout the fiscal year. If modifications were needed, this is done with resolutions to the budget.

Change in Cash and Investments

At the end of 2013, the cash and investments balance of the General Fund had increased by \$259,639.

Capital Asset and Debt Administration

Capital Assets

The City of Lordsburg's capital assets for its governmental and business-type activities as of June 30, 2013 amount to \$23,435,093 (net of accumulated depreciation). Capital assets include land, work in progress, improvements, buildings, machinery and equipment, and infrastructure. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,231,030 for governmental activities. Improvements and machinery and equipment costing \$200,000 was purchased for the City and land and construction in progress of \$1,031,030. There were no deletions in the governmental activities or in the business-type during 2013.

The following is a schedule showing the Net Investment in Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

Capital Assets, Net of Depreciation June 30, 2013

	Governmental Activities		Business - Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and Construction in Progress	\$ 521,745	\$ 2,436,577	\$ 87,715	\$ 87,715	\$ 609,460	\$ 2,524,292
Building & Infrastructure	10,028,525	10,366,381	11,863,150	9,764,577	21,891,675	20,130,958
Machinery and Equipment	<u>823,120</u>	<u>846,985</u>	<u>110,838</u>	<u>156,102</u>	<u>933,958</u>	<u>1,003,087</u>
Capital Assets, Net of A/D	<u>\$11,373,390</u>	<u>\$13,649,943</u>	<u>\$12,061,703</u>	<u>\$10,008,394</u>	<u>\$23,435,093</u>	<u>\$23,658,337</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

The Statement of Net Position shows the Net Investment in Capital Assets-Governmental Funds in the amount of \$22,479,933. This investment includes the land, work in progress, buildings, improvements, infrastructure and machinery and equipment, net of all applicable debt service.

The City's long-term debt is summarized as follows. Additional information on the City's debt can be found in Note 7.

**Long-Term Debt
June 30, 2013**

	Governmental Activities		Business - Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Notes Payable	\$ 794,593	\$ 97,578	\$ 160,195	\$ 203,000	\$ 954,788	\$ 300,578
Bond Payable	500,000	565,000	-	-	500,000	565,000
Compensated Absences	<u>25,909</u>	<u>25,909</u>	<u>9,597</u>	<u>9,597</u>	<u>35,506</u>	<u>35,506</u>
Total Long-Term Debt	<u>\$ 1,320,502</u>	<u>\$ 688,487</u>	<u>\$ 169,792</u>	<u>\$ 212,597</u>	<u>\$ 1,490,294</u>	<u>\$ 901,084</u>

Contacting the City of Lordsburg's Financial Management

This financial report is designed to provide a general overview of the City of Lordsburg's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lordsburg Administration; 409 West Wabash Street, Lordsburg NM 88045.

GOVERNMENTAL - WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,779,068	\$ 1,166,538	\$ 2,945,606	\$ 357,988
Investments	1,366,339	2,197,670	3,564,009	-
Accounts receivable	177,472	618,722	796,194	168,248
Grants Receivable	-	-	-	6,129
Due from other funds	14,442	-	14,442	20,909
Total current assets	3,337,321	3,982,930	7,320,251	553,274
NON-CURRENT ASSETS:				
Restricted assets - cash	-	310,899	310,899	16,750
Capital assets	17,173,727	14,671,965	31,845,692	5,198,186
Less accumulated depreciation	(5,800,337)	(2,610,262)	(8,410,599)	(3,078,646)
Total assets	\$ 14,710,711	\$ 16,355,532	\$ 31,066,243	\$ 2,689,564
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	\$ 16,048	\$ 86,445	\$ 102,493	\$ 50,538
Accrued salaries	38,591	7,011	45,602	14,921
Cash overdraft	-	-	-	12,964
Compensated absences, current portion	12,954	4,798	17,752	4,841
Due to other governments	-	-	-	19,571
Due to other funds	14,442	-	14,442	20,909
Current portion of long-term debt	95,419	30,173	125,592	-
Total current liabilities	177,454	128,427	305,881	123,744
NON-CURRENT LIABILITIES:				
Compensated absences, net of current portion	12,955	4,799	17,754	-
Customer deposits	-	86,833	86,833	14,350
Long-term debt, net of current portion	699,174	130,022	829,196	-
Total liabilities	889,583	350,081	1,239,664	138,094
NET POSITION				
Net investment in capital assets	10,578,425	11,901,508	22,479,933	2,119,540
Restricted for:				
Reserved for capital projects funds	314,025	-	314,025	37,659
Reserved for special revenue funds	764,712	-	764,712	-
Reserved for debt services	226,332	-	226,332	-
Unrestricted	1,937,634	4,103,943	6,041,577	394,271
Total net position	\$ 13,821,128	\$ 16,005,451	\$ 29,826,579	\$ 2,551,470

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONAL/PROGRAMS:	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues			Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Governmental activities:								
General government	\$ 1,130,714	\$ 175,935	\$ 570,594	\$ -	\$ (384,185)	\$ -	\$ (384,185)	\$ -
Public safety	1,690,773	133,538	-	-	(1,557,235)	-	(1,557,235)	-
Public works	737,172	4,600	-	883,092	150,520	-	150,520	-
Culture and recreation	522,874	7,812	-	-	(515,062)	-	(515,062)	-
Health and welfare	116,970	10,017	-	-	(106,953)	-	(106,953)	-
Total governmental activities	4,198,503	331,902	570,594	883,092	(2,412,915)	-	(2,412,915)	-
Business-type activities:								
Joint Utilities								
Water	579,340	726,603	-	-	-	147,263	147,263	-
Gas	652,696	689,200	-	-	-	36,504	36,504	-
Sewer	403,161	279,179	7,800	-	-	(116,182)	(116,182)	-
Solid waste	402,287	312,682	-	-	-	(89,605)	(89,605)	-
Total business-type activities	2,037,484	2,007,664	7,800	-	-	(22,020)	(22,020)	-
Total primary government	6,235,987	2,339,566	578,394	883,092	(2,412,915)	(22,020)	(2,434,935)	-
Component Unit								
General Revenues:	\$ 526,208	\$ 239,307	\$ 216,170	\$ 19,571				\$ (51,160)
Taxes								
Local taxes					583,862	132,875	716,737	-
State shared taxes					1,556,757	-	1,556,757	-
Small cities assistance					171,074	-	171,074	-
Licenses and permits					18,190	-	18,190	-
Fines and forfeitures					209,037	-	209,037	-
Interest					556	625	1,181	492
Miscellaneous					157,783	51,131	208,914	4,576
Transfers					176,902	(176,902)	-	-
Transfer of property					(2,351,727)	2,351,727	-	-
Total general revenues and transfers					522,434	2,359,456	2,881,890	5,068
Changes in net position					(1,890,481)	2,337,436	446,955	(46,092)
Net position, beginning of year					15,711,609	13,668,015	29,379,624	2,597,562
Net position, end of year					13,821,128	16,005,451	29,826,579	2,551,470

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
CITY OF LORDSBURG

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Lodgers Tax Fund	2007 - 2008 Co-Op	Waste Water Reuse Project	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 919,463	\$ 70,840	\$ 7	\$ 314,018	\$ 474,740	\$ 1,779,068
Investments	986,100	242,200	-	-	138,039	1,366,339
Accounts receivable	85,778	19,649	-	-	72,045	177,472
Due from other funds	14,442	-	-	-	-	14,442
Total assets	<u>\$ 2,005,783</u>	<u>\$ 332,689</u>	<u>7</u>	<u>\$ 314,018</u>	<u>\$ 684,824</u>	<u>\$ 3,337,321</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 9,403	\$ -	\$ -	\$ -	\$ 6,645	\$ 16,048
Accrued salaries	33,209	-	-	-	5,382	38,591
Due to other funds	-	-	-	-	14,442	14,442
Total liabilities	42,612	-	-	-	26,469	69,081
Deferred inflows:						
Property tax revenue	25,537	-	-	-	-	25,537
Total liabilities and deferred inflows	68,149	-	-	-	26,469	94,618
Fund balances:						
Restricted for:						
Capital projects	-	-	7	314,018	-	314,025
Special revenue funds	-	332,689	-	-	432,023	764,712
Debt service	-	-	-	-	226,332	226,332
Unassigned	1,937,634	-	-	-	-	1,937,634
Total fund balances	<u>1,937,634</u>	<u>332,689</u>	<u>7</u>	<u>314,018</u>	<u>658,355</u>	<u>3,242,703</u>
Total liabilities and fund balances	<u>\$ 2,005,783</u>	<u>\$ 332,689</u>	<u>7</u>	<u>\$ 314,018</u>	<u>\$ 684,824</u>	<u>\$ 3,337,321</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances - governmental funds \$ 3,242,703

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

The cost of capital assets	17,173,727	
Accumulated depreciation	<u>(5,800,337)</u>	11,373,390

Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

Property taxes		25,537
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Other long-term liabilities and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Notes payable	794,593	
Compensated absences	<u>25,909</u>	<u>(820,502)</u>

Total net position - governmental activities **\$ 13,821,128**

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Lodgers Tax Fund	2007 - 2008 Co-Op	Waste Water Reuse Project	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Local taxes	\$ 110,903	\$ 201,769	\$ -	-	\$ 271,190	\$ 583,862
State shared taxes	1,556,757	-	-	-	-	1,556,757
Licenses and permits	18,190	-	-	-	-	18,190
Charges for services	112,671	-	-	-	92,701	205,372
Fines and forfeitures	209,037	-	-	-	-	209,037
Miscellaneous revenue	157,783	-	-	-	-	157,783
Small cities assistance	171,074	-	-	-	-	171,074
Joint power agreement	126,530	-	-	-	-	126,530
Federal and state grants	471,283	-	315,669	567,423	99,311	1,453,686
Interest income	475	-	-	-	81	556
Total revenues	2,934,703	201,769	315,669	567,423	463,283	4,482,847
EXPENDITURES						
Current:						
General government	797,853	58,915	5	6	780	857,559
Public safety	1,310,726	-	-	-	134,967	1,445,693
Public works	88,603	-	-	24,364	259,797	372,764
Culture and recreation	103,594	-	-	-	135,797	239,391
Health and welfare	52,449	-	-	-	64,521	116,970
Capital outlay	17,976	-	561,410	451,644	200,000	1,231,030
Principal	5,983	-	-	-	65,000	70,983
Interest	-	-	-	-	10,270	10,270
Total expenditures	2,377,184	58,915	561,415	476,014	871,132	4,344,660
Excess (deficiency) of revenues over expenditures	557,519	142,854	(245,746)	91,409	(407,849)	138,187
OTHER FINANCING SOURCES (USES)						
Transfers in	81,112	132,102	139,753	205,100	390,194	948,261
Transfers out	(462,377)	(279,254)	-	-	(29,728)	(771,359)
Loan proceeds	-	-	-	-	203,000	203,000
Total other financing source (uses)	(381,265)	(147,152)	139,753	205,100	563,466	379,902
Net change in fund balance	176,254	(4,298)	(105,993)	296,509	155,617	518,089
Fund balance, beginning of year	1,761,380	336,987	106,000	17,509	502,738	2,724,614
Fund balance, end of year	\$ 1,937,634	\$ 332,689	\$ 7	314,018	\$ 658,355	\$ 3,242,703

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ 518,089

The changes in net position reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	1,231,030	
Transferred to business-type activities	(2,351,727)	
Depreciation expense	<u>(1,155,856)</u>	(2,276,553)

Governmental funds report loan proceeds as other financing source. However, in the statement of activities, these proceeds are not recognized as revenue. (203,000)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 70,983

Change in net position of governmental activities \$ (1,890,481)

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 81,084	\$ 81,084	\$ 110,903	\$ 29,819
State shared taxes	1,393,911	1,393,911	1,556,757	162,846
Licenses and permits	87,933	87,933	18,190	(69,743)
Charges for services	67,500	67,500	112,671	45,171
Fines and forfeitures	186,717	186,717	209,037	22,320
Miscellaneous revenue	415,739	415,739	157,783	(257,956)
Small cities assistance	35,000	35,000	171,074	136,074
Federal and state grants	363,484	363,484	362,353	(1,131)
Interest income	1,500	1,500	475	(1,025)
Total revenues	<u>2,632,868</u>	<u>2,632,868</u>	<u>2,699,243</u>	<u>66,375</u>
EXPENDITURES:				
Current				
General government	1,538,330	1,538,330	797,853	740,477
Public safety	1,191,288	1,191,288	1,177,467	13,821
Public works	199,896	199,896	88,603	111,293
Culture and recreation	196,603	196,603	103,594	93,009
Health and welfare	245,432	245,432	52,449	192,983
Capital outlay	-	-	17,976	(17,976)
Principal	-	-	5,983	(5,983)
Total expenditures	<u>3,371,549</u>	<u>3,371,549</u>	<u>2,243,925</u>	<u>1,127,624</u>
Excess (deficiency) of revenues over expenditures	(738,681)	(738,681)	455,318	1,193,999
OTHER FINANCING SOURCES (USES)				
Transfers in	81,112	81,112	81,112	-
Transfers out	(422,458)	(422,458)	(462,377)	(39,919)
Total other financing sources (uses)	<u>(341,346)</u>	<u>(341,346)</u>	<u>(381,265)</u>	<u>(39,919)</u>
Net changes in fund balance	(1,080,027)	(1,080,027)	74,053	1,154,080
Fund balance - beginning of the year	<u>1,761,380</u>	<u>1,761,380</u>	<u>1,761,380</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 681,353</u>	<u>\$ 681,353</u>	<u>\$ 1,835,433</u>	<u>\$ 1,154,080</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 74,053	
Net revenue accruals			235,460	
Net expenditure accruals			<u>(133,259)</u>	
Net change in fund balance GAAP basis			<u>\$ 176,254</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR SPECIAL REVENUE FUND - LODGERS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ 220,729	\$ 220,729	\$ 201,769	\$ (18,960)
Total revenues	220,729	220,729	201,769	(18,960)
EXPENDITURES:				
Current				
General government	-	-	58,915	(58,915)
Total expenditures	-	-	58,915	(58,915)
Excess (deficiency) of revenues over expenditures	220,729	220,729	142,854	(77,875)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	132,102	132,102
Transfers out	(245,254)	(245,254)	(279,254)	(34,000)
Total other financing sources (uses)	(245,254)	(245,254)	(147,152)	98,102
Net changes in fund balance	(24,525)	(24,525)	(4,298)	20,227
Fund balance - beginning of the year	336,987	336,987	336,987	-
Fund balance - end of the year	\$ 312,462	\$ 312,462	\$ 332,689	\$ 20,227
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (4,298)	
Net change in fund balance GAAP basis			\$ (4,298)	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND - 2007 - 2008 CO-OP
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Federal and state grants	\$ -	\$ -	\$ 315,669	\$ 315,669
Total revenues	-	-	315,669	315,669
EXPENDITURES:				
Current				
General government	-	-	5	(5)
Capital outlay	<u>840,695</u>	<u>840,695</u>	<u>561,410</u>	<u>279,285</u>
Total expenditures	<u>840,695</u>	<u>840,695</u>	<u>561,415</u>	<u>279,280</u>
Excess (deficiency) of revenues over expenditures	(840,695)	(840,695)	(245,746)	594,949
OTHER FINANCING SOURCES				
Transfers in	<u>140,000</u>	<u>140,000</u>	<u>139,753</u>	<u>(247)</u>
Total other financing sources	<u>140,000</u>	<u>140,000</u>	<u>139,753</u>	<u>(247)</u>
Net changes in fund balance	(700,695)	(700,695)	(105,993)	594,702
Fund balance - beginning of the year	<u>106,000</u>	<u>106,000</u>	<u>106,000</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (594,695)</u>	<u>\$ (594,695)</u>	<u>\$ 7</u>	<u>\$ 594,702</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (105,993)</u>	
Net change in fund balance GAAP basis			<u>\$ (105,993)</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND - WASTE WATER REUSE PROJECT
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 110,000	\$ 110,000	\$ 375,528	\$ 265,528
Total revenues	110,000	110,000	375,528	265,528
EXPENDITURES:				
Capital outlay	451,644	451,644	451,644	-
Total expenditures	451,644	451,644	451,644	-
Excess of revenues over expenditures	(341,644)	(341,644)	(76,116)	265,528
OTHER FINANCING SOURCES				
Transfers in	-	-	205,100	205,100
Total other financing sources	-	-	205,100	205,100
Net changes in fund balance	(341,644)	(341,644)	128,984	470,628
Fund balance - beginning of the year	17,509	17,509	17,509	-
Fund balance - end of the year	<u>\$ (324,135)</u>	<u>\$ (324,135)</u>	<u>\$ 146,493</u>	<u>\$ 470,628</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 128,984	
Net revenue accruals			191,895	
Net expenditure accruals			<u>(24,370)</u>	
Net change in fund balance GAAP basis			<u>\$ 296,509</u>	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUND

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF NET POSITION
PROPRIETARY FUND - JOINT UTILITIES
JUNE 30, 2013**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,166,538
Investments	2,197,670
Accounts receivable	<u>618,722</u>

Total current assets 3,982,930

Restricted assets - cash	310,899
Capital assets	14,671,965
Less accumulated depreciation	<u>(2,610,262)</u>

Total non-current assets 12,372,602

Total assets \$ 16,355,532

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 86,445
Accrued salaries	7,011
Compensated absences - current portion	4,798
Revenue bonds payable - current portion	<u>30,173</u>

Total current liabilities 128,427

Customer deposits	86,833
Compensated absences	4,799
Revenue bonds payable - long-term portion	<u>130,022</u>

Total liabilities 350,081

NET POSITION

Net investment in capital assets	11,901,508
Unrestricted	<u>4,103,943</u>

Total net position 16,005,451

Total liabilities and net position \$ 16,355,532

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - JOINT UTILITIES
FOR THE YEAR ENDED JUNE 30, 2013**

OPERATING REVENUES	
Charges for services	\$ 2,015,464
Gross receipts tax municipal	132,875
Miscellaneous	<u>51,131</u>
Total operating revenues	2,199,470
OPERATING EXPENSES	
Personnel services	399,369
Other operating expenses	1,339,696
Depreciation expense	<u>298,419</u>
Total operating expenses	<u>2,037,484</u>
Operating income	161,986
NON OPERATING REVENUES	
Interest income	<u>625</u>
Total non operating revenues	625
OTHER FINANCING SOURCES	
Transfers in	163,282
Transfers out	(340,184)
Transfer of property	<u>2,351,727</u>
Total transfers	<u>2,174,825</u>
Change in net position	2,337,436
Net position, beginning of year	<u>13,668,015</u>
Net position, end of year	<u>\$ 16,005,451</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND - JOINT UTILITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Cash flows from operating activities:	
Cash received from agencies and customers	\$ 2,124,551
Cash used for salaries and operating expenses	<u>(1,696,062)</u>
Net cash provided by operating activities	428,489
Cash flows from non-capital activities and related financing activities:	
Net transfers	<u>(176,902)</u>
Net cash used in non-capital activities and related financing activities	(176,902)
Cash flows from capital activities and related financing activities:	
Acquisition of capital assets	<u>(42,805)</u>
Net cash used in capital activities and related financing activities	(42,805)
Cash flows from investing activities:	
Interest income	625
Cash reclassified as investment	<u>128,217</u>
Net cash provided by investing activities	<u>128,842</u>
Net increase in cash and cash equivalents	337,624
Cash and cash equivalents - beginning	<u>1,139,813</u>
Cash and cash equivalents - ending	<u>\$ 1,477,437</u>
SUPPLEMENTARY INFORMATION:	
Cash and cash equivalents	\$ 1,166,538
Restricted cash	<u>310,899</u>
Total cash and cash equivalents	<u>\$ 1,477,437</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 161,986
Adjustments to operating income to net cash provided by operating activities:	
Depreciation	298,419
Changes in net position and liabilities:	
Accounts receivables	(74,919)
Accounts payable	43,663
Accrued salaries	(660)
Compensated absences	-
Customer deposits	-
Net cash provided by operating activities	<u>\$ 428,489</u>

See independent auditors' report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lordsburg (the "City") was established by the laws of the State of New Mexico in 1881. The City operates under the Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (highways and streets), health and social services, culture and recreation, public improvements, planning and zoning, and general administration services. Other services include utilities and public housing.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

The City (the primary government) for financial reporting purposes consists of funds, departments, and programs for which the City is financially accountable. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-34. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Lordsburg Public Housing Authority (the "Housing Authority") have been included in the City's financial statements as a discretely presented component unit.

The Housing Authority was organized under the laws of the State of New Mexico for the purpose of engaging in the leasing and administration of Low-Rent Housing programs and other similar objectives. The Housing Authority is a separate legal entity from the City of Lordsburg and is a component unit of the City. Also, the Housing Authority does not have any component units.

A seven-member board governs the Housing Authority and is appointed to two-year terms by the City Council. The major revenue sources for the Housing Authority are tenant rental receipts and subsidies from the Department of Housing and Urban Development. Significant account balances include capital assets, and cash. The Housing Authority is presented as a discrete component of the City. The report or requests for additional financial information should be addressed to Esperanza Tarango, Lordsburg Public Housing Authority, 1001 Avenida Del Sol, Lordsburg, New Mexico, 88045.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers for utility and other services provided, fines and forfeitures from the courts, licenses and permits issued and funds from the small city assistance program. 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular department or function of the City. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Fund Financial Statements

Government-Wide Financial Statements - The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes and property taxes, grants and entitlements. On an accrual basis, revenue from

property taxes, net of estimated refunds and uncollectible amounts, is recognized as revenues in the year for which they are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements are met.

All governmental and business-type activities of the City follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The City has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Property taxes, gross receipts taxes, franchise taxes, and interest are considered susceptible to accrual. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government because they are not measurable or reasonably estimable.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Government funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general capital assets and the servicing of general long-term debt. Governmental funds include:

General Fund - This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

Special Revenue Funds - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - To account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Debt Service Funds - To account for the transfer and payment of debt service to various entities.

Under the requirements of GASB No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes the following special revenue and capital projects funds that were required to be presented as major funds:

Lodgers Tax Fund - To promote tourist operations in the City. Financing is provided by a special lodger's tax charged in transit lodging in the City. (NMSA 3-38-13)

2007-2008 COOP - To account for the revenues and expenditures for the Wabash Street fund. Authorized by State Appropriation # SPGA-7523(205).

Waste Water Reuse Project - To account for State and Federal funds to rehabilitate wastewater treatment plant.

Additionally, the government reports the following fund types:

Proprietary Funds - Distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from non-exchange transactions.

The proprietary funds account for services to the general public where all or most of the costs including depreciation are to be financed or recovered from users of such services. The City maintains separate funds for gas, water, sewer and solid waste utility operations. These are reported as the Joint Utility Fund and are considered a major fund.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for non-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid investments, including restricted assets, with a maturity when purchased of three months or less to be cash equivalents.

Deposits and Investments - State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and fully collateralized repurchase agreements. Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be

Net Position - The government-wide and business-type activities fund financial statements utilize a net position presentation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position result from the constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net assets of the City, not restricted for any project or other purpose.

Fund Equity - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Inter-Fund Transactions - Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Governmental Accounting Standards

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to clarify the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Summary of Statement No. 66 Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the City are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the City Council Members and the Department of Finance and Administration must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2013 is presented.

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The City maintains cash in one financial institution within Lordsburg, New Mexico. The City's deposits are carried at cost.

As of June 30, 2013, the amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks. A summary of the reconciliation is as follows:

	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
Primary Government:				
Western Bank	\$ 6,890,397	\$ 86,557	\$ 156,440	\$ 6,820,514
Total primary government	6,890,397	86,557	156,440	6,820,514
Housing Authority:				
Petty cash	130	-	-	130
Temporary account	3,875	-	-	3,875
General account	9,865	-	22,829	(12,964)
Overnight account	103,315	-	-	103,315
Tenant security deposit	17,275	-	525	16,750
Certificate of deposit	<u>250,668</u>	<u>-</u>	<u>-</u>	<u>250,668</u>
Total component unit	385,128	-	23,354	361,774
Total Cash	<u>\$ 7,275,525</u>	<u>\$ 86,557</u>	<u>\$ 179,794</u>	<u>\$ 7,182,288</u>

Statement of Net Position:

	Primary Government	Housing Authority	Total
Cash	\$ 2,945,606	\$ 357,988	\$ 3,303,594
Restricted cash	310,899	16,750	327,649
Investments	3,564,009	-	3,564,009
Cash overdraft	<u>-</u>	<u>12,964</u>	<u>12,964</u>
Total	<u>\$ 6,820,514</u>	<u>\$ 361,774</u>	<u>\$ 7,182,288</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Primary Government Western Bank	Housing Authority Western Bank
Amount held in bank June 30, 2013	\$ 6,890,397	\$ 385,128
Less FDIC Insurance	<u>250,000</u>	<u>250,000</u>
Uninsured Public Funds	6,640,397	135,128
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	3,320,199	67,564
Pledged Securities	<u>3,716,688</u>	<u>482,490</u>
Over (Under) Collateralized	<u>\$ 396,489</u>	<u>\$ 414,926</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$6,820,514 of the City's bank balance of \$3,500,315 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the City's name	\$ 3,320,199
Uninsured and uncollateralized	<u>3,500,315</u>
Total	<u>\$ 6,820,514</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 177,472	\$ 618,722	\$ 796,194

Management considers all amounts to be collectible.

5. PROPERTY TAXES

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Hidalgo County Assessor to develop the property tax schedule by October 1st. The Hidalgo County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City.

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2013, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
<i>Government activities:</i>					
Capital assets not being depreciated:					
Land	\$ 503,769	\$ -	\$ -	\$ -	\$ 503,769
Construction in progress	<u>1,932,808</u>	<u>1,031,030</u>	<u>-</u>	<u>(2,945,862)</u>	<u>17,976</u>
Total	<u>2,436,577</u>	<u>1,031,030</u>	<u>-</u>	<u>(2,945,862)</u>	<u>521,745</u>
Other capital assets being depreciated					
Buildings	4,516,269	-	-	-	4,516,269
Improvements	3,983,538	-	-	-	3,983,538
Infrastructure	4,702,407	-	-	594,135	5,296,542
Machinery and equipment	<u>2,655,633</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>2,855,633</u>
Total	15,857,847	200,000	-	594,135	16,651,982
Accumulated depreciation					
Buildings	1,009,762	227,059	-	-	1,236,821
Improvements	1,347,386	584,515	-	-	1,931,901
Infrastructure	478,685	120,417	-	-	599,102
Machinery and equipment	<u>1,808,648</u>	<u>223,865</u>	<u>-</u>	<u>-</u>	<u>2,032,513</u>
Total A/D	<u>4,644,481</u>	<u>1,155,856</u>	<u>-</u>	<u>-</u>	<u>5,800,337</u>
Total capital assets	<u>\$ 13,649,943</u>	<u>\$ 75,174</u>	<u>\$ -</u>	<u>\$(2,351,727)</u>	<u>\$ 11,373,390</u>

Depreciation expense for the year ended June 30, 2013 was charged as follows:

General government	\$ 273,155
Public safety	234,810
Public works	364,408
Culture and recreation	<u>283,483</u>
Total depreciation expense	<u>\$ 1,155,856</u>

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
<i>Business-type activities:</i>					
Capital assets not being depreciated					
Land	\$ 87,715	\$ -	\$ -	\$ -	\$ 87,715
Total	87,715	-	-	-	87,715
Capital assets being depreciated					
Buildings	26,480	-	-	-	26,480
Improvements	2,805,458	-	-	-	2,805,458
Utility system	8,449,466	-	-	2,351,727	10,801,193
Machinery and equipment	951,119	-	-	-	951,119
Total	12,232,523	-	-	2,351,727	14,584,250
Accumulated depreciation					
Buildings	7,421	530	-	-	7,951
Improvements	608,470	140,065	-	-	748,535
Utility system	900,936	112,559	-	-	1,013,495
Machinery and equipment	795,017	45,264	-	-	840,281
Total A/D	2,311,844	298,418	-	-	2,610,262
Total capital assets	<u>\$ 10,008,394</u>	<u>\$ (298,418)</u>	<u>\$ -</u>	<u>\$ 2,351,727</u>	<u>\$ 12,061,703</u>

Depreciation expense relating to business-like activities for the year-ended June 30, 2013 totaled \$298,418.

Capital Asset Activity for the Lordsburg Public Housing Authority for the year-ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets, being depreciated:				
Buildings	2,450,758	-	-	2,450,758
Improvements	2,524,519	-	-	2,524,519
Furniture and equipment	122,909	-	-	122,909
Total capital assets, being depreciated	5,098,186	-	-	5,098,186
Less accumulated depreciation for:				
Buildings	2,450,759	-	-	2,450,759
Improvements	418,469	86,509	-	504,978
Furniture and equipment	122,909	-	-	122,909
Total accumulated depreciation	2,992,137	86,509	-	3,078,646
Total capital assets, being depreciated, net	2,106,049	(86,509)	-	2,019,540
Capital assets, net	\$ 2,206,049	\$ (86,509)	\$ -	\$ 2,119,540

7. LONG-TERM DEBT

During the year-end June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance 06/30/12	Additions	Reductions	Balance 06/30/13	Due Within One Year
<i>Governmental Funds:</i>					
2001 Tax Bond Refunding	565,000	-	65,000	500,000	70,000
Water Fluoride Project	69,354	-	4,254	65,100	4,254
Water Project NMFA	28,224	-	1,731	26,493	1,731
Fire Truck	-	203,000	-	203,000	19,434
Compensated absences	25,909	-	-	25,909	12,954
Total	\$ 688,487	\$ 203,000	\$ 70,985	\$ 820,502	\$ 108,373

Compensated absences typically have been liquidated in the general and other governmental funds.

	Balance 6/30/12	Additions	Reductions	Balance 06/30/13	Due Within One Year
<i>Proprietary Fund:</i>					
NM Environment Dept	\$ 203,000	\$ -	\$ 42,805	\$ 160,195	\$ 30,173
Compensated absences	<u>9,597</u>	<u>-</u>	<u>-</u>	<u>9,597</u>	<u>4,798</u>
Total	<u>\$ 212,597</u>	<u>\$ -</u>	<u>\$ 42,805</u>	<u>\$ 169,792</u>	<u>\$ 34,971</u>

Compensated absences typically have been liquidated in the proprietary fund.

The terms of the revenue bond and notes payable are as follows:

2001 Series Lodger's Tax/Gross receipts Tax Bond - General Fund

The purpose of the bond was to construct a public swimming pool. Original issue amount was \$1,125,000 on March 1, 2001. The bond was refinanced on December 2010. Interest is payable semi-annually on June 1 and December 1 commencing June 1, 2011. Interest begins accruing at 4.00% per annum. Principal payments vary according to the following amortization schedule:

Year Ending June 30	Principal	Interest	Total
2014	\$ 70,000	\$ 10,039	\$ 80,039
2015	70,000	9,255	79,255
2016	70,000	8,212	78,212
2017	70,000	6,917	76,917
2018	75,000	5,461	80,461
2019-2020	<u>145,000</u>	<u>5,634</u>	<u>150,634</u>
	<u>\$ 500,000</u>	<u>\$ 45,518</u>	<u>\$ 545,518</u>

Water Fluoride Project

During fiscal year 2010, the City entered into a loan agreement with New Mexico Finance Authority to finance the Drinking Water Fluoride Project. Interest is payable annually on June 1 commencing June 1, 2010. Interest rate is zero but there is an administration fee of 0.25%. Principal payments vary according to the following amortization schedule:

Year Ending June 30	Principal	Interest/Fees	Total
2014	\$ 4,254	\$ 163	\$ 4,417
2015	4,264	152	4,416
2016	4,275	141	4,416
2017	4,286	131	4,417
2018	4,297	120	4,417
2019-2023	21,645	438	22,083
2024-2028	21,917	165	22,082
2029	<u>162</u>	<u>-</u>	<u>162</u>
	<u>\$ 65,100</u>	<u>\$ 1,310</u>	<u>\$ 66,410</u>

Water Project - NMFA

During fiscal year 2010, the City entered into a loan agreement with New Mexico Finance Authority to finance the Drinking Water Fluoride Project. Interest is payable annually on June 1 commencing June 1, 2010. Interest rate is zero but there is an administration fee of 0.25%. Principal payments vary according to the following amortization schedule:

Year Ending June 30	Principal	Interest/Fees	Total
2014	\$ 1,731	\$ 66	\$ 1,797
2015	1,735	62	1,797
2016	1,740	58	1,798
2017	1,744	53	1,797
2018	1,749	49	1,798
2019-2023	8,809	178	8,987
2024-2028	8,919	67	8,986
2029	<u>66</u>	<u>-</u>	<u>66</u>
	<u>\$ 26,493</u>	<u>\$ 533</u>	<u>\$ 27,026</u>

Fire Truck - NMFA

During fiscal year 2012, the City entered into a loan agreement with New Mexico Finance Authority to finance the a fire truck. Interest is payable annually on May 1 commencing May 1, 2014. Interest rate is 1.750%. Principal payments vary according to the following amortization schedule:

Year Ending June 30	Principal	Interest/Fees	Total
2014	\$ 19,434	\$ 5,353	\$ 24,787
2015	19,514	2,831	22,345
2016	19,621	2,724	22,345
2017	19,772	2,573	22,345
2018	19,958	2,387	22,345
2019-2023	<u>104,701</u>	<u>7,023</u>	<u>111,724</u>
	<u>\$ 203,000</u>	<u>\$ 22,891</u>	<u>\$ 225,891</u>

Note Payable (Proprietary Fund) - New Mexico Environment Department

The City entered into an agreement with the New Mexico Environment Department to finance improvements of the City's water system. The State of New Mexico is to provide a 20-year loan in the amount up to \$500,000 as part of the financing. The loan is being provided as costs are incurred. Under the conditions of the loan, the City will begin to repay the loan one year after the final receipt of all proceeds. The loan is payable in annual installments through the year 2018 and bears interest at 3% per year. The annual debt service requirements are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 30,173	\$ 4,806	\$ 34,979
2015	31,079	3,901	34,980
2016	32,011	2,968	34,979
2017	32,971	2,008	34,979
2018	<u>33,961</u>	<u>1,424</u>	<u>35,385</u>
	<u>\$ 160,195</u>	<u>\$ 15,107</u>	<u>\$ 175,302</u>

8. RISK MANAGEMENT

The City of Lordsburg is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters.

The City has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local government. The City pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred.

9. PERA PENSION PLAN

Plan Description. Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 7.0% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute 7.0% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$123,403, \$92,347, and \$84,037, respectively, which equal the amount of the required contributions for each fiscal year.

10. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The City of Lordsburg did not participate in the Retiree Health Care Act Program during the fiscal year ending June 30, 2013.

11. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

12. INTERFUND TRANSFERS

The composition of interfund transfers for primary governmental activities during the year ended June 30, 2013 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 81,112	\$ 462,377
Lodgers Tax	98,102	245,254
Water Fluoride	45,943	-
Cemetery	35,000	-
Recreation	92,052	-
Special Events	66,300	-
Road	-	26,728
CDBG Water Project 2007	747	-
CO-OP 2007 2008	139,753	-
Waste Water Reuse Project	205,100	-
Debt Service	147,152	-
Enterprise funds	<u>163,282</u>	<u>340,184</u>
Totals	<u>\$ 1,074,543</u>	<u>\$ 1,074,543</u>

The composition of interfund transfers for the Lordsburg Public Housing Authority during the year ended June 30, 2013 are as follows:

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amount</u>
CFP Grant	Low Income Housing	<u>\$ 19,571</u>

13. EXCESS EXPENDITURES OVER APPROPRIATIONS

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The City exceeded its authorized budget by \$207,953 as follows:

<u>Fund</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Lodgers Tax	\$ -	\$ 58,915	\$ (58,915)
Fire Fund	<u>103,970</u>	<u>253,008</u>	<u>(149,038)</u>
Totals	<u>\$ 103,970</u>	<u>\$ 311,923</u>	<u>\$ (207,953)</u>

14. BUDGETED DEFICIT FUND BALANCE

The following funds budgeted a deficit fund balance as of June 30, 2013:

2007 - 2008 Co-Op	\$ 594,695
Waste Water Reuse Project	324,135
Law Enforcement	662
Recreation	5,819
Special Events	5,532
Water Fluoride	883

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

ROAD FUND - to account for the distribution of gasoline taxes and motor vehicle registration fees to the City and the expenditure for construction, reconstruction, resurfacing or other improvements or maintenance of public roads as authorized by NMSA 1978 Section 7-24A-5.

FIRE - To account for the operations and maintenance of the Fire Department which is financed by a specific allotment from the State Fire Marshal's Office. (NMSA 59A-53-1).

CORRECTIONS - To account for the provisions of a local corrections fee collected with local fines. (NMSA 35-14-11).

LAW ENFORCEMENT - To account for the proceeds of a State grant provided for the purchase and repair of equipment as well as specialized training of police personnel. (NMSA 29-13-3).

CEMETERY - To account for the operations and maintenance of the cemetery. Financing is provided primarily by sale of burial permits. (NMSA 3-40-9 and City Resolution).

RECREATION - To account for the operations of certain recreational activities in the City. Financing is provided by State shared taxes and charges for services. (NMSA 7-12-15).

SPECIAL EVENTS CENTER - To account for the provisions of entertainment facilities to the residents of the City and Hidalgo County.

CAPITAL PROJECTS FUNDS LISTING

CDBG WATER PROJECT 2007 - To account for the 2007 water line improvements. Authorized by U. S. Department of Housing and Urban Development, CDBG Grant #05-C-NR-I-7-G-16.

WATER FLUORIDE FUND - To account for the construction of the water fluoride treatment plant. Authorized by State Appropriation #SAP-04-0597-CP.

DEBT SERVICE FUNDS LISTING

DEBT SERVICE 2001 - To account for the payment of the 2001 Gross Receipts Tax Revenue Bonds. Financing is provided by Lodger's Tax and Gross Receipts Tax collected.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL TYPES
JUNE 30, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 248,408	\$ -	\$ 226,332	\$ 474,740
Investment	138,039	-	-	138,039
Accounts receivable	<u>72,045</u>	<u>-</u>	<u>-</u>	<u>72,045</u>
Total assets	<u>\$ 458,492</u>	<u>\$ -</u>	<u>\$ 226,332</u>	<u>\$ 684,824</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 6,645	\$ -	\$ -	\$ 6,645
Accrued salaries	5,382	-	-	5,382
Due to other funds	<u>14,442</u>	<u>-</u>	<u>-</u>	<u>14,442</u>
Total liabilities	26,469	-	-	26,469
Fund balance:				
Restricted for special revenue funds	432,023	-	-	432,023
Restricted for debt service	<u>-</u>	<u>-</u>	<u>226,332</u>	<u>226,332</u>
Total fund balance	<u>432,023</u>	<u>-</u>	<u>226,332</u>	<u>658,355</u>
Total liabilities and fund balances	<u>\$ 458,492</u>	<u>\$ -</u>	<u>\$ 226,332</u>	<u>\$ 684,824</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE
NON-MAJOR GOVERNMENTAL TYPES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
REVENUES				
Local taxes	\$ 271,190	\$ -	\$ -	\$ 271,190
Federal and state grants	99,311	-	-	99,311
Charges for services	92,701	-	-	92,701
Interest income	81	-	-	81
	<u>463,283</u>	<u>-</u>	<u>-</u>	<u>463,283</u>
Total revenues	463,283	-	-	463,283
EXPENDITURES				
Current:				
General government	-	747	33	780
Public safety	134,967	-	-	134,967
Public works	205,737	54,060	-	259,797
Culture and recreation	135,797	-	-	135,797
Health and welfare	64,521	-	-	64,521
Capital outlay	200,000	-	-	200,000
Debt Service:				
Principal	-	-	65,000	65,000
Interest	-	-	10,270	10,270
	<u>741,022</u>	<u>54,807</u>	<u>75,303</u>	<u>871,132</u>
Total expenditures	741,022	54,807	75,303	871,132
Deficiency of revenues under expenditures	(277,739)	(54,807)	(75,303)	(407,849)
OTHER FINANCING SOURCES (USES)				
Transfers in	196,352	46,690	147,152	390,194
Transfers out	(29,728)	-	-	(29,728)
Loan proceeds	203,000	-	-	203,000
	<u>369,624</u>	<u>46,690</u>	<u>147,152</u>	<u>563,466</u>
Total other financing sources (uses)	369,624	46,690	147,152	563,466
Net change in fund balance	91,885	(8,117)	71,849	155,617
Fund balance, beginning of year	340,138	8,117	154,483	502,738
Fund balance, end of year	<u>\$ 432,023</u>	<u>\$ -</u>	<u>\$ 226,332</u>	<u>\$ 658,355</u>

See independent auditors' report and accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
CITY OF LORDSBURG

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
JUNE 30, 2013

	Road	Fire	Corrections	Law Enforcement	Cemetery	Recreation	Special Events Center	Total
ASSETS								
Cash and cash equivalents	\$ 36,450	\$ 105,263	\$ 27,909	\$ 6,731	\$ -	\$ 19,278	\$ 52,777	\$ 248,408
Investment	29,781	-	-	-	90,621	17,637	-	138,039
Accounts receivable	72,045	-	-	-	-	-	-	72,045
Total assets	\$ 138,276	\$ 105,263	\$ 27,909	\$ 6,731	\$ 90,621	\$ 36,915	\$ 52,777	\$ 458,492
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 2,161	\$ 430	\$ -	\$ -	\$ 196	\$ 3,239	\$ 619	\$ 6,645
Accrued salaries	1,104	-	-	-	991	2,612	675	5,382
Due to other funds	-	-	-	-	14,442	-	-	14,442
Total liabilities	3,265	430	-	-	15,629	5,851	1,294	26,469
Fund balance								
Restricted for special revenue funds	135,011	104,833	27,909	6,731	74,992	31,064	51,483	432,023
Total fund balance	135,011	104,833	27,909	6,731	74,992	31,064	51,483	432,023
Total liabilities and fund balance	\$ 138,276	\$ 105,263	\$ 27,909	\$ 6,731	\$ 90,621	\$ 36,915	\$ 52,777	\$ 458,492

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Road	Fire	Corrections	Law Enforcement	Cemetery	Recreation	Special Events Center	Total
REVENUES								
Local taxes	\$ 271,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,190
Federal and state grants	-	72,711	-	26,600	-	-	-	99,311
Charges for services	-	-	55,705	-	14,617	7,811	14,568	92,701
Interest income	-	81	-	-	-	-	-	81
Total revenues	271,190	72,792	55,705	26,600	14,617	7,811	14,568	463,283
EXPENDITURES								
Current:								
Public safety	-	57,796	45,841	31,330	-	-	-	134,967
Public works	205,737	-	-	-	-	-	-	205,737
Culture and recreation	-	-	-	-	-	80,083	55,714	135,797
Health and welfare	-	-	-	-	64,521	-	-	64,521
Capital outlay	-	200,000	-	-	-	-	-	200,000
Total expenditures	205,737	257,796	45,841	31,330	64,521	80,083	55,714	741,022
Excess (deficiency) of revenues over (under) expenditures	65,453	(185,004)	9,864	(4,730)	(49,904)	(72,272)	(41,146)	(277,739)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	35,000	93,052	68,300	196,352
Operating transfers out	(26,728)	-	-	-	-	(1,000)	(2,000)	(29,728)
Loan proceeds	-	203,000	-	-	-	-	-	203,000
Total other financing source (uses)	(26,728)	203,000	-	-	35,000	92,052	66,300	369,624
Net change in fund balance	38,725	17,996	9,864	(4,730)	(14,904)	19,780	25,154	91,885
Fund balance, beginning of year	96,286	86,837	18,045	11,461	89,896	11,284	26,329	340,138
Fund balance, end of year	\$ 135,011	\$ 104,833	\$ 27,909	\$ 6,731	\$ 74,992	\$ 31,064	\$ 51,483	\$ 432,023

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State shared taxes	\$ 275,706	\$ 275,706	\$ 230,442	\$ (45,264)
Total revenues	275,706	275,706	230,442	(45,264)
EXPENDITURES:				
Current				
Public works	<u>284,958</u>	<u>284,958</u>	<u>205,162</u>	<u>79,796</u>
Total expenditures	<u>284,958</u>	<u>284,958</u>	<u>205,162</u>	<u>79,796</u>
Excess (deficiency) of revenues over expenditures	(9,252)	(9,252)	25,280	34,532
OTHER FINANCING SOURCES				
Transfers out	<u>(27,500)</u>	<u>(27,500)</u>	<u>(26,728)</u>	<u>772</u>
Total other financing sources	<u>(27,500)</u>	<u>(27,500)</u>	<u>(26,728)</u>	<u>772</u>
Net changes in fund balance	(36,752)	(36,752)	(1,448)	35,304
Fund balance - beginning of the year	<u>62,806</u>	<u>62,806</u>	<u>62,806</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 26,054</u>	<u>\$ 26,054</u>	<u>\$ 61,358</u>	<u>\$ 35,304</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,448)	
Net revenue accruals			40,748	
Net expenditure accruals			<u>(575)</u>	
Net change in fund balance GAAP basis			<u>\$ 38,725</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal grants	\$ 73,895	\$ 73,895	\$ 72,711	\$ (1,184)
Interest income	<u>200</u>	<u>200</u>	<u>81</u>	<u>(119)</u>
Total revenues	74,095	74,095	72,792	(1,303)
EXPENDITURES:				
Current				
Public safety	103,970	103,970	53,008	50,962
Capital outlay	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>
Total expenditures	<u>103,970</u>	<u>103,970</u>	<u>253,008</u>	<u>(149,038)</u>
Excess (deficiency) of revenues over expenditures	(29,875)	(29,875)	(180,216)	(150,341)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	<u>-</u>	<u>-</u>	<u>203,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>203,000</u>	<u>-</u>
Net changes in fund balance	(29,875)	(29,875)	22,784	(150,341)
Fund balance - beginning of the year	<u>86,837</u>	<u>86,837</u>	<u>86,837</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 56,962</u>	<u>\$ 56,962</u>	<u>\$ 109,621</u>	<u>\$ 52,659</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 22,784	
Net expenditure accruals			<u>(4,788)</u>	
Net change in fund balance GAAP basis			<u>\$ 17,996</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - CORRECTIONS
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 45,000	\$ 60,100	\$ 55,705	\$ (4,395)
Total revenues	45,000	60,100	55,705	(4,395)
EXPENDITURES:				
Current				
Public safety	45,000	47,300	45,841	1,459
Total expenditures	45,000	47,300	45,841	1,459
Net changes in fund balance	-	12,800	9,864	(2,936)
Fund balance - beginning of the year	18,045	18,045	18,045	-
Fund balance - end of the year	\$ 18,045	\$ 30,845	\$ 27,909	\$ (2,936)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 9,864	
Net change in fund balance GAAP basis			\$ 9,864	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - LAW ENFORCEMENT
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal and state grants	\$ 26,600	\$ 26,600	\$ 26,600	\$ -
Total revenues	26,600	26,600	26,600	-
EXPENDITURES:				
Current				
Public safety	38,723	38,723	31,992	6,731
Total expenditures	38,723	38,723	31,992	6,731
Net changes in fund balance	(12,123)	(12,123)	(5,392)	6,731
Fund balance - beginning of the year	11,461	11,461	11,461	-
Fund balance - end of the year	\$ (662)	\$ (662)	\$ 6,069	\$ 6,731
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (5,392)	
Net expenditure accruals			662	
Net change in fund balance GAAP basis			\$ (4,730)	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - CEMETERY
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 12,600	\$ 12,600	\$ 14,617	\$ 2,017
Total revenues	12,600	12,600	14,617	2,017
EXPENDITURES:				
Current				
Health and welfare	78,894	78,894	64,363	14,531
Total expenditures	78,894	78,894	64,363	14,531
Excess (deficiency) of revenues over expenditures	(66,294)	(66,294)	(49,746)	16,548
OTHER FINANCING SOURCES				
Transfers in	35,000	35,000	55,000	20,000
Total other financing sources	35,000	35,000	35,000	20,000
Net changes in fund balance	(31,294)	(31,294)	(14,746)	16,548
Fund balance - beginning of the year	89,896	89,896	89,896	-
Fund balance - end of the year	\$ 58,602	\$ 58,602	\$ 75,150	\$ 16,548
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (14,746)	
Net expenditure accruals			(158)	
Net change in fund balance GAAP basis			\$ (14,904)	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - RECREATION
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 7,008	\$ 7,008	\$ 7,811	\$ 803
Total revenues	7,008	7,008	7,811	803
EXPENDITURES:				
Current				
Culture and recreation	116,163	116,163	80,778	35,385
Total expenditures	116,163	116,163	80,778	35,385
Excess (deficiency) of revenues over expenditures	(109,155)	(109,155)	(72,967)	36,188
OTHER FINANCING SOURCES				
Transfers in	92,052	92,052	93,052	1,000
Transfers out	-	-	(1,000)	(1,000)
Total other financing sources	92,052	92,052	92,052	-
Net changes in fund balance	(17,103)	(17,103)	19,085	36,188
Fund balance - beginning of the year	11,284	11,284	11,284	-
Fund balance - end of the year	\$ (5,819)	\$ (5,819)	\$ 30,369	\$ 36,188
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 19,085	
Net expenditure accruals			695	
Net change in fund balance GAAP basis			\$ 19,780	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUND - SPECIAL EVENTS CENTER
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Charges for services	\$ 25,522	\$ 25,522	\$ 12,960	\$ (12,562)
Total revenues	25,522	25,522	12,960	(12,562)
EXPENDITURES:				
Current				
Culture and recreation	123,683	123,683	55,125	68,558
Total expenditures	123,683	123,683	55,125	68,558
Excess (deficiency) of revenues over expenditures	(98,161)	(98,161)	(42,165)	55,996
OTHER FINANCING SOURCES				
Transfers in	66,300	66,300	68,300	2,000
Transfers out	-	-	(2,000)	(2,000)
Total other financing sources	66,300	66,300	66,300	-
Net changes in fund balance	(31,861)	(31,861)	24,135	55,996
Fund balance - beginning of the year	26,329	26,329	26,329	-
Fund balance - end of the year	\$ (5,532)	\$ (5,532)	\$ 50,464	\$ 55,996
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 24,135	
Net revenue accruals			1,608	
Net expenditure accruals			(589)	
Net change in fund balance GAAP basis			<u>\$ 25,154</u>	

See independent auditors' report and accompanying notes to financial statements.

CAPITAL PROJECTS FUNDS

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
JUNE 30, 2013**

	<u>CDBG Funds</u>	<u>Water Fluoride</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE			
Fund balance:			
Restricted for capital projects	\$ -	\$ -	\$ -
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>CDBG Funds</u>	<u>Water Fluoride</u>	<u>Total</u>
REVENUES			
Federal and state grants	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
General government	747	-	747
Public works	-	54,060	54,060
Total expenditures	747	54,060	54,807
Excess (deficiency) of revenues over (under) expenditures	(747)	(54,060)	(54,807)
OTHER FINANCING SOURCES			
Operating transfers in	747	45,943	46,690
Total other financing sources	747	45,943	46,690
Net change in fund balance	-	(8,117)	(8,117)
Fund balance, beginning of year	-	8,117	8,117
Fund balance, end of year	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR CAPITAL PROJECTS FUND - CDBG WATER PROJECT 2007
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:				
General government	\$ 1,000	\$ 1,000	\$ 747	\$ 253
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>747</u>	<u>253</u>
Excess (deficiency) of revenues over expenditures	(1,000)	(1,000)	(747)	253
OTHER FINANCING SOURCES				
Transfers in	<u>1,000</u>	<u>1,000</u>	<u>747</u>	<u>(253)</u>
Total other financing sources	<u>1,000</u>	<u>1,000</u>	<u>747</u>	<u>(253)</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ -</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR CAPITAL PROJECTS FUND - WATER FLUORIDE
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
Public works	\$ 55,000	\$ 55,000	\$ 45,943	\$ 9,057
Total expenditures	<u>55,000</u>	<u>55,000</u>	<u>45,943</u>	<u>9,057</u>
Deficiency of revenues over expenditures	(55,000)	(55,000)	(45,943)	9,057
OTHER FINANCING SOURCES				
Transfers in	<u>46,000</u>	<u>46,000</u>	<u>45,943</u>	<u>(57)</u>
Total other financing sources	<u>46,000</u>	<u>46,000</u>	<u>45,943</u>	<u>(57)</u>
Net changes in fund balance	(9,000)	(9,000)	-	9,000
Fund balance - beginning of the year	<u>8,117</u>	<u>8,117</u>	<u>8,117</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (883)</u>	<u>\$ (883)</u>	<u>\$ 8,117</u>	<u>\$ 9,000</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net expenditure accruals			<u>(8,117)</u>	
Net change in fund balance GAAP basis			<u>\$ (8,117)</u>	

See independent auditors' report and accompanying notes to financial statements.

DEBT SERVICE FUND

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINED BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE 2001 FUND
JUNE 30, 2013**

	<u>Debt Service 2001</u>
ASSETS	
Cash and cash equivalents	\$ <u>226,332</u>
Total assets	\$ <u>226,332</u>
LIABILITIES AND FUND BALANCE	
Fund balance:	
Restricted for debt service	\$ <u>226,332</u>
Total fund balance	<u>226,332</u>
Total liabilities and fund balances	<u>\$ 226,332</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE 2001 FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Debt Service 2001</u>
EXPENDITURES	
Current:	
General government	\$ 33
Debt Service:	
Principal	65,000
Interest	<u>10,270</u>
Total expenditures	<u>75,303</u>
Deficiency of revenues under expenditures	(75,303)
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>147,152</u>
Total other financing sources (uses)	<u>147,152</u>
Net change in fund balance	71,849
Fund balance, beginning of year	<u>154,483</u>
Fund balance, end of year	<u>\$ 226,332</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR DEBT SERVICE FUND - DEBT SERVICE 2001 FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:				
General government	\$ 70	\$ 70	\$ 33	\$ 37
Debt service				
Principal	65,000	65,000	65,000	-
Interest	<u>10,591</u>	<u>10,591</u>	<u>10,270</u>	<u>321</u>
Total expenditures	<u>75,661</u>	<u>75,661</u>	<u>75,303</u>	<u>358</u>
Excess (deficiency) of revenues over expenditures	(75,661)	(75,661)	(75,303)	358
OTHER FINANCING SOURCES				
Transfers in	<u>147,152</u>	<u>147,152</u>	<u>147,152</u>	<u>-</u>
Total other financing sources	<u>147,152</u>	<u>147,152</u>	<u>147,152</u>	<u>-</u>
Net changes in fund balance	71,491	71,491	71,849	358
Fund balance - beginning of the year	<u>154,483</u>	<u>154,483</u>	<u>154,483</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 225,974</u>	<u>\$ 225,974</u>	<u>\$ 226,332</u>	<u>\$ 358</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 71,849</u>	
Net change in fund balance GAAP basis			<u>\$ 71,849</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
PROPRIETARY FUND - JOINT UTILITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 2,209,110	\$ 2,209,110	\$ 2,015,464	\$ (193,646)
State shared taxes	37,823	37,823	132,875	95,052
Fines and forfeitures	10,200	10,200	-	(10,200)
Interest income	11,600	11,600	625	(10,975)
Miscellaneous income	7,800	7,800	51,131	43,331
Total revenues	<u>2,276,533</u>	<u>2,276,533</u>	<u>2,200,095</u>	<u>(76,438)</u>
EXPENDITURES:				
Personnel services	611,753	611,753	399,369	212,384
Other operating expenses	1,733,477	1,733,477	1,339,696	393,781
Capital outlay	192,515	192,515	-	192,515
Total expenditures	<u>2,537,745</u>	<u>2,537,745</u>	<u>1,739,065</u>	<u>798,680</u>
Excess (deficiency) of revenues over expenditures	(261,212)	(261,212)	461,030	722,242
OTHER FINANCING SOURCES (USES)				
Transfers in	162,682	162,682	163,282	600
Transfers out	(231,594)	(231,594)	(340,184)	(108,590)
Total other financing sources (uses)	<u>(68,912)</u>	<u>(68,912)</u>	<u>(176,902)</u>	<u>(107,990)</u>
Net changes in fund balance	(330,124)	(330,124)	284,128	614,252
Fund balance - beginning of the year	<u>13,668,015</u>	<u>13,668,015</u>	<u>13,668,015</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 13,337,891</u>	<u>\$ 13,337,891</u>	<u>\$ 13,952,143</u>	<u>\$ 614,252</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 284,128	
Transfer of property			2,351,727	
Depreciation expense			(298,419)	
Net change in fund balance GAAP basis			<u>\$ 2,337,436</u>	

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**SCHEDULE OF DEPOSITORIES
JUNE 30, 2013**

	<u>Type</u>	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
Western Bank					
General - Operating	CK	\$ 2,867,730	\$ 46,698	\$ 156,440	\$ 2,757,988
Solid Waste Reserve	CK	10,918	-	-	10,918
Swimming Pool reserve	CK	454	-	-	454
Water Reuse Project	CK	134,171	-	-	134,171
2007-2008 COOP	CK	56,040	39,859	-	95,899
Debt Service	CK	225,639	-	-	225,639
Debt Service	CK	1,435	-	-	1,435
Overnight Account	MM	3,103,173	-	-	3,103,173
CD	CD	490,837	-	-	490,837
Total		<u>\$ 6,890,397</u>	<u>\$ 86,557</u>	<u>\$ 156,440</u>	<u>\$ 6,820,514</u>

Reconciliation to Government Wide

Cash	\$ 2,945,606
Investments	3,564,009
Restricted Cash	310,899
Total	<u>\$ 6,820,514</u>

Type:

CK= Checking
MM= Money Market
CD= Certificate of Deposit

Western Bank

Amount held in bank June 30, 2013	\$ 6,890,397
Less FDIC Insurance	<u>(250,000)</u>
Uninsured Public Funds	6,640,397
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	3,320,199
Pledged Securities	<u>3,716,688</u>
Over (Under) Collateralized	<u>\$ 396,489</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2013**

Description of Pledged Collateral	Amount	Name and Location
Belen NM Gross Rcpt, CUSIP#077571CM7, Maturing 6/1/2021	\$ 424,550	Federal Home Loan Bank of Dallas
Clovis NM Gross Rcpt, CUSIP#189387BP7, Maturing 6/1/2017	192,346	Federal Home Loan Bank of Dallas
Clovis NM, CUSIP#189414HN8, Maturing 8/2/2025	529,875	Federal Home Loan Bank of Dallas
Estancia NM Muni Soh, CUSIP#297326EG1, Maturing 6/15/2012	56,081	Federal Home Loan Bank of Dallas
Roswell NM, CUSIP#778544CC8, Maturing 8/1/2013	401,280	Federal Home Loan Bank of Dallas
FHLMC ARM Poll, CUSIP#31346VH28, Maturing 7/1/2030	210,145	Federal Home Loan Bank of Dallas
Gadsden NM ISO N01S, CUSIP#362550KR5, Maturing 8/15/2018	369,730	Federal Home Loan Bank of Dallas
McKinley Cnty NM Gross, CUSIP#581615DJ7, Maturing 6/1/2013	361,087	Federal Home Loan Bank of Dallas
Hidalgo CNTY N Mex, CUSIP#429308DE6, Maturing 10/1/2016	109,517	Federal Home Loan Bank of Dallas
Hidalgo CNTY N Mex, CUSIP#429308DF3, Maturing 10/1/2017	130,225	Federal Home Loan Bank of Dallas
Hidalgo CNTY N Mex, CUSIP#429308DG1, Maturing 10/1/2018	129,520	Federal Home Loan Bank of Dallas
Santa Fe CNTY N Mex, CUSIP@801889LT1	277,093	Federal Home Loan Bank of Dallas
Silver City Gross Recpts, CUSIP#82750PAL8, Maturing 6/1/2012	260,888	Federal Home Loan Bank of Dallas
FNMA 2002-74 PE, CUSIP# 31392FPP6, Maturing 3/15/2023	<u>264,351</u>	Federal Home Loan Bank of Dallas
Total pledged securities	<u>\$ 3,716,688</u>	

See independent auditors' report and accompanying notes to financial statements.

**CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2013**

Account No.		Rent 14.850	CFP 14.872	Total
Assets:				
Current assets:				
111	Cash-unrestricted	\$ 357,988	\$ -	\$ 357,988
114	Cash-tenant security deposits	16,750	-	16,750
	Cash from sale of Refrigerators	-	-	-
100	Total cash	<u>374,738</u>	<u>-</u>	<u>374,738</u>
Accounts receivable:				
126	Tenants	6,129	-	6,129
124	Grants receivable	168,248	-	168,248
144	Inter-Program due from	-	20,909	20,909
150	Total current assets	<u>549,115</u>	<u>20,909</u>	<u>570,024</u>
Fixed assets:				
161	Land	100,000	-	100,000
162	Building and improvements	2,450,758	-	2,450,758
164	Furniture, equipment & machinery	122,909	-	122,909
165	Leasehold improvements	2,524,519	-	2,524,519
166	Accumulated depreciation	<u>(3,078,646)</u>	<u>-</u>	<u>(3,078,646)</u>
160	Total fixed assets, net	<u>2,119,540</u>	<u>-</u>	<u>2,119,540</u>
180	Total non-current assets	<u>2,119,540</u>	<u>-</u>	<u>2,119,540</u>
190	Total assets	<u>\$ 2,668,655</u>	<u>\$ 20,909</u>	<u>\$ 2,689,564</u>
Liabilities and fund equity:				
Current liabilities:				
311	Bank overdraft	\$ 12,964	\$ -	\$ 12,964
312	Accounts payable <= 90 days	50,538	-	50,538
322	Accrued comp. absences -current portion	4,841	-	4,841
333	Accounts payable - other government	14,921	-	14,921
340	CFP	19,571	-	19,571
347	Inter-program due to	20,909	-	20,909
Liabilities payable from restricted assets:				
341	Tenant security deposits	<u>14,350</u>	<u>-</u>	<u>14,350</u>
310	Total current liabilities	<u>138,094</u>	<u>-</u>	<u>138,094</u>
300	Total liabilities	<u>138,094</u>	<u>-</u>	<u>138,094</u>
Net position:				
508.1	Net investment in capital assets	2,119,540	-	2,119,540
511.1	Restricted net position	16,750	20,909	37,659
512.1	Unrestricted net position	<u>394,271</u>	<u>-</u>	<u>394,271</u>
513	Total net position	<u>2,530,561</u>	<u>20,909</u>	<u>2,551,470</u>
600	Total liabilities and net position	<u>\$ 2,668,655</u>	<u>\$ 20,909</u>	<u>\$ 2,689,564</u>

**CITY OF LORDSBURG
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE
JUNE 30, 2013**

Account No.	Low Rent 14.850	CFP 14.872	Total
Revenue			
703	\$ 239,307	\$ -	\$ 239,307
705	239,307	-	239,307
706	216,170	-	216,170
706.1	-	19,571	19,571
711	492	-	492
715	4,576	-	4,576
700	<u>460,545</u>	<u>19,571</u>	<u>480,116</u>
Expenses			
911	152,972	-	152,972
912	7,208	-	7,208
915	21,186	-	21,186
910	89,711	-	89,711
931	43,916	-	43,916
932	8,559	-	8,559
933	62,550	-	62,550
942	46,200	-	46,200
961	7,397	-	7,397
969	<u>439,699</u>	<u>-</u>	<u>439,699</u>
970	20,846	19,571	40,417
974	<u>86,509</u>	<u>-</u>	<u>86,509</u>
900	<u>526,208</u>	<u>-</u>	<u>526,208</u>
100.1	19,571	-	19,571
100.2	-	(19,571)	(19,571)
101	<u>19,571</u>	<u>(19,571)</u>	<u>-</u>
101	<u>19,571</u>	<u>(19,571)</u>	<u>-</u>
100	(46,092)	-	(46,092)
110.3	<u>2,576,653</u>	<u>20,909</u>	<u>2,597,562</u>
	<u>\$ 2,530,561</u>	<u>\$ 20,909</u>	<u>\$ 2,551,470</u>

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**JOINT POWERS AGREEMENTS
JUNE 30, 2013**

City of Lordsburg and County of Hidalgo Joint Powers Agreement

Participants	City of Lordsburg and County of Hidalgo
Responsible Party	County of Hidalgo
Description	This agreement was entered into to provide for the operation of a regional transfer station
Period	Perpetual
Project Costs	Undeterminable
County Contribution	Undeterminable
Audit responsibility	County of Hidalgo

See independent auditors' report and accompanying notes to financial statements.

COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas,
New Mexico State Auditor
The Council Members
City of Lordsburg
Lordsburg, New Mexico

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the City of Lordsburg (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the city, presented as supplemental information, and have issued our report thereon dated May 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 07-01, 10-01, 12-01, 13-01, and 13-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-02 and 07-04.

City of Lordsburg Response to Findings

The City responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White & Sumner & Campbell, LLP

El Paso, Texas
May 9, 2014

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

PRIOR YEAR FINDINGS:

07-01	Failure to Apply GAAP	Repeated
07-02	Completion of Audit Report	Revised and Repeated
07-04	Budget	Revised and Repeated
10-01	Lodger's Tax	Revised and Repeated
10-02	Payroll Documentation	Resolved
12-01	Cash Reconciliation	Revised and Repeated
12-02	Lack of supporting documentation for travel reimbursement	Resolved

Component Unit:

12-01	Journal Entry Testwork	Resolved
12-02	Cash Deposits	Resolved
12-03	Sale of Property	Resolved

STATE OF NEW MEXICO
CITY OF LORDSBURG

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

PRIMARY GOVERNMENT:

Failure to Apply GAAP (07-01) - Material Weakness

CONDITION	The City did not maintain adequate accounting records in accordance with accounting principles generally accepted in the United States of America and could not provide complete, accurate, and timely information.
CRITERIA	Key employees or management should be trained in GAAP principles in recording the City's financial transactions and in preparing its financial statements (Subsection H, 2.2.2.8 NMAC; SAS 112)
CAUSE	Key employees were not trained to be able to apply GAAP principles in recording the preparing the City's financial statements.
EFFECT	The key employees were not able to apply GAAP principles when recording transactions and in preparing the City's financial statements. Due to this problem the employees could not provide complete, accurate, and timely information.
RECOMMENDATION	We suggest that management ensure that all employees receive training in applying generally accepted accounting principles when recording daily transactions.
RESPONSE	The chief financial officer is in the process of developing the system that provides the information for the financial statements on a GAAP basis.

Completion of Audit Report (07-02) - Other

CONDITION	The audit report was not submitted to the State Auditor on December 1, 2013, primarily because of the turnover in finance department after the end of the fiscal year.
CRITERIA	As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2013.
CAUSE	Due to management changes after the year end, the City delayed providing documents needed to complete the audit.
EFFECT	Violation of the State Auditor's Rule SAO 2.2.2.9, A (4). Audited financial information is not available for the City to use and distribute as necessary.
RECOMMENDATION	The City must implement procedures that would produce a timely audit. Proper accounting control must be established where the City is able to produce financial information for the auditor that has been properly reconciled.
RESPONSE	The City will work closer with the independent auditor to be sure that future audits will be completed and filed on a timely basis.

Budget (07-04) - Other

CONDITION The actual expenditures incurred in two funds were greater than the budgeted expenditures. The City did not submit a corrected budget. In addition, the City budgeted a deficit fund balance for six funds.

<u>Fund</u>	<u>Budgeted Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Lodgers Tax	\$ -	\$ 58,915	\$ (58,915)
Fire Fund	103,970	253,008	(149,038)

<u>Fund</u>	<u>Budgeted Deficit</u>
2007 - 2008 Co-Op	\$ 594,695
Waste Water Reuse Project	324,135
Law Enforcement	662
Recreation	5,819
Special Events	5,532
Water Fluoride	883

CRITERIA The local government is required to make corrections, revisions and amendments to the proposed budgets to meet the requirements of the law. (NMSA 1978 Section 6-6-2-0).

CAUSE Management did not review the budgets and make the corrections needed to address the excess of expenditures.

EFFECT The actual expenditures incurred were in excess of budgeted expenditures. The City violated state statutes by not correcting the budgets.

RECOMMENDATION The City's management should carefully review the budgets prior to submission to the Local Government Division of the Department of Finance Administration to ensure compliance with state statutes.

RESPONSE The City's management will adhere to auditors' recommendation.

Lodger's Tax (10-01) - Material Weakness

CONDITION	The City of Lordsburg did not collect lodgers tax from all the lodging establishments during the fiscal years 2011, 2012 and 2013 and did not perform audits to ensure amounts were properly taxed. In addition, during our testwork it was noted that several times during the year the establishments submitted the wrong percentage as required by the City.
CRITERIA	According to NMSA 1978 Section 3-38-13 to 3-38-24, municipalities may assess an occupancy tax up to 5% of revenues to lodging establishments by ordinance. The City is also responsible for performing audits on these establishments and an advisory board must be created.
CAUSE	The City did not receive several months of lodgers tax from several lodging establishments during the years 2011, 2012 and 2013 and the City did not perform any activities to ensure the amounts were correctly reported and did not implement any procedures to collect the proper amounts from all the establishments.
EFFECT	The City's lodgers revenue decreased during 2011 and 2012 and it was not due to a decrease in economic activity but to the lack of controls to ensure the City collected the appropriate portion of lodgers tax.
RECOMMENDATION	We recommend the City implements an advisory board to monitor lodgers tax activity and ensure the City is collecting the proper amount of taxes.
RESPONSE	The City is currently implementing procedures to ensure they collect the correct amount of lodgers tax.

Cash Reconciliation (12-01) - Material Weakness

CONDITION	The City's has several checks that were written over a year ago and have not been cashed. In discussing with management, there has been no follow up on outstanding checks.
CRITERIA	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
CAUSE	The City is not reconciling cash accounts. The City had various check outstanding past one year.
EFFECT	The City's bank accounts are not reconciled. Public monies are not being accounted for properly.
RECOMMENDATION	The City should account for all bank accounts used by the City and its department. Bank reconciliations should be performed frequently in order to properly account for public monies.
RESPONSE	The City's management will adhere to auditors' recommendation.

Deficiencies in Internal Control (13-01) - Material Weakness

CONDITION	Management has not adopted sound accounting policies, established or maintained internal control that would initiate, authorize, record, processes and report transactions consistent with management's assertions embodied in the financial statements. As there are pending investigations; the amount of losses to the City are undeterminable.
CRITERIA	According to NMSA 1978 6-5-2 C, State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.
CAUSE	The City management did not oversee the transaction and failed to implement internal control procedures.
EFFECT	Adequate controls are not in place to prevent or detect intentional fraud. As there are pending investigations; the amount of losses to the City are undeterminable.
RECOMMENDATION	The City's Accounting Policies and Procedures manual should contain explicit instructions for all accounting related matters, to maintained internal control that would initiate, authorize, record, processes and report transactions.
RESPONSE	The new City management concurs with the finding. The City will implement internal controls to safeguard assets.

Tracking of Federal and State Awards (13-02) - Material Weakness

CONDITION	While performing the audit and reviewing the grant activity for the year ended June 30, 2013, it was observed that the City does not track its grants accurately, nor distinguish those awards that were federally funded and those that were state funded.
CRITERIA	OMB Circular A-133 Subpart C states: The auditee shall: (a) Identify, in its accounts, all Federal Awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
CAUSE	The process for capturing Federal Awards and contributed federal funds has gradually relaxed over time and it is no longer fully effective.

EFFECT City personnel could unknowingly not be following the compliance requirements on state or federal money received due to misidentifying the source of the funds.

The potential exists for Federal Awards to escape inclusion in the Single Audit procedures. The City runs the risk of being out of compliance with OMB Circular A-133 Subpart C.

RECOMMENDATION The process for tracking federal grants should be improved to ensure the source funds for all grants are properly identified and recorded as such. This should include the CFDA number when applicable. As new grants are obtained, a determination should be made at the inception of the grant to determine its source.

It is recommended that a process be put in place to require all departments that receive contributed property be required to notify the finance department of the acquisition at the time of the contribution so it can be properly recorded in the accounting system and recorded on the schedule of Federal Awards, if applicable.

RESPONSE The new City management concurs with the finding. The new Chief Financial Officer will enable the City to properly record transactions and generate financial records to provide management with the necessary tools to make timely decisions and comply with any reporting compliance requirements.

Component Unit:

Completion of Audit Report (13-01)-Significant Deficiency

CONDITION The audit report was submitted to the State Auditor after December 1, 2013 due to items requested not being provided in a timely manner.

CRITERIA As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by December 1, 2013.

CAUSE The Housing Authority did not comply with auditor's request in providing items selected for sampling in a timely manner, therefore the audit is reported late by the New Mexico State Auditor's Office.

EFFECT Violation of the State Auditor's Rule SAO 2.2.2.9, A (4). Audited financial information is not available for the Housing Authority to use and distribute as necessary.

RECOMMENDATION The Housing Authority must implement procedures that would produce a timely audit. Proper accounting controls must be established where the Housing Authority is able to produce financial information for the auditor that has been properly reconciled.

RESPONSE The Housing Authority will work closely with auditors to make sure requested items are provided in a timely manner so that audit reports are submitted on the required deadline.

Deficiencies in Internal Control Over Cash and Expenses (13-02)-Significant Deficiency

CONDITION	During audit testing of cash, several checks were identified totaling \$10,960 that were written over a year ago and have not been cashed. In discussing with management, there has been no follow up on outstanding checks. Management has decided they should be written off. As a result, cash had been understated.
CRITERIA	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
CAUSE	The Housing Authority did not follow up on outstanding checks written over a year ago.
EFFECT	There is an increase risk of error or fraud due to lack of internal controls in place. This can result in fraud, waste, or abuse of cash and unreliable financial information.
RECOMMENDATION	The Housing Authority should implement financial reporting controls that provide assurance that internally generated financial information is accurate. Bank accounts and accounts payable balances should be reconciled every month to avoid having outstanding checks.
RESPONSE	Management will implement financial reporting controls to ensure the accuracy and completeness of financial activity.

**STATE OF NEW MEXICO
CITY OF LORDSBURG**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2013**

An exit conference was held on May 9, 2014 in a closed meeting with the following City officials:

City of Lordsburg

Arthur Smith
Patricia de Naranjo
Sandra Kolean

Mayor
Finance Officer
Housing Authority - Executive Director

White + Samaniego + Campbell, LLP

Roxie Samaniego
Jesse Jezbera
Nancy Escobar

Partner, Audit Department
Senior, Audit Department
Staff, Audit Department

FINANCIAL STATEMENT PREPARATION

The financial statements presented in this report were compiled with the assistance of the auditors, White + Samaniego + Campbell, LLP. However, the contents of the financial statements remain the responsibility of management.